

# Global slump could throw 53 million more people into poverty

Mike Head  
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The World Bank warned last week that up to 53 million more people around the world could fall into poverty in 2009 as a result of the global economic slump, and up to 400,000 more children could die each year as a result of rising infant mortality. The statistics highlight the worldwide character of the social catastrophe being caused by the deepening crisis.

The bank's new estimates for 2009 suggest that lower economic growth rates will force 53 million more people to exist on less than \$2 a day than was expected prior to the downturn. This is on top of the 130-155 million people pushed into poverty in 2008 because of soaring food and fuel prices.

The bank's extremely low benchmark for poverty—\$2 a day—suggests that its figures vastly underestimate the actual number of people around the world who are barely able to feed, clothe and house themselves.

Preliminary estimates for 2009 to 2015 forecast that an average 200,000 to 400,000 more children a year, a total of 1.4 to 2.8 million over the six-year period, may die if the crisis persists.

In addition, millions of people already living in poverty "will be pushed further below the poverty line," according to the World Bank policy note, "The Global Economic Crisis: Assessing Vulnerability with a Poverty Lens."

The note states: "Almost all developed and developing countries are suffering from the global economic crisis. While developed countries are experiencing some of the sharpest contractions, households in developing countries are much more vulnerable and likely to experience acute negative consequences in the short- and long-term."

Almost 40 percent of 107 developing countries are "highly exposed" to the poverty and hardship effects of the crisis and the remainder are "moderately exposed," according to the report. The bank warns that three quarters of these countries will be unable to raise funds domestically or internationally to finance job-creation, the delivery of basic infrastructure and essential services—including health, education and core public administration—and safety net programs for the vulnerable.

The statistics provide only a pale outline of the impoverishment, malnutrition and misery caused by the global recession. These outcomes are an indictment of the anarchy of the private profit system. First, the speculative escalation of food and fuel prices of 2007-08 threw up to 155 million people into poverty; and now the financial crash is threatening many millions more.

These forecasts make a mockery of the United Nation's Millennium Development Goals, which set targets to overcome poverty by 2015.

The World Bank released its forecast to coincide with the Group of Seven (G7) summit of finance ministers and central bank governors in Rome last Friday and Saturday. Anti-poverty organisations from the UN Millennium Campaign joined the bank in lobbying for the establishment of a "Vulnerability Fund" in which each developed country would devote 0.7 percent of its stimulus package to aid impoverished "developing" countries.

Even this utterly inadequate proposal received short shrift from the G7 ministers. In their final communiqué, a single one-sentence reference to poorer economies said: "The G7 also stresses the need to support emerging and developing countries' access to credit and trade financing and resume private capital flows, and is committed to explore urgently ways, including through multilateral development banks, to enhance this support."

In other words, the plight of hundreds of millions of destitute people must be left in the hands of the same financial system and "private capital flows" that have broken down, producing the worst global collapse since the 1930s.

The Rome summit proved incapable of offering any new measures to stem the rapidly deteriorating global situation. As the meeting gathered, the International Labour Organisation (ILO) warned that worldwide job losses from the recession that started in the United States in December 2007 could hit 50 million by the end of 2009. The ILO expressed concern that "social tensions may begin to arise."

The slowdown has already claimed 3.6 million American jobs. While the number of jobs in the US has been falling since the end

of 2007, the pace of layoffs in Europe, Asia and the poorest countries has now caught up, underscoring the global character of the crisis engulfing capitalism.

Unemployment in Britain is expected to rise to 9.5 percent by the middle of 2010, from 6.3 percent now, according to Peter Dixon, an economist with Commerzbank in London, and Germany's jobless rate could rise to 10.5 percent from 7.8 percent. More than 20 million Chinese internal migrant workers have already been thrown out of work, and in India, another former boom economy, about 500,000 people lost jobs between October and December 2008, according to one recent analysis.

"This is the worst we've had since 1929," Laurent Wauquiez, France's employment minister said in comments cited by the *New York Times*. "The thing that is new is that it is global, and we are always talking about that. It is in every country, and it makes the whole difference."

The G7 ministers were confronted by news of a record gross domestic product (GDP) fall across the Eurozone—1.5 percent in the December quarter—and warnings by economists that Japan, the world's second largest economy, is contracting at an annualised rate of more than 10 percent. However, the summit simply reiterated calls for further stimulus and bank bailout packages of the kind that have already failed to halt the recession.

Despite the global dimension of the economic and social problems, the meeting could barely paper over the mounting tensions between the major powers and the growth of protectionism. The final communiqué merely restated a perfunctory commitment toward "avoiding protectionist measures," even though a rash of such measures has occurred since the G7 ministers last met in October.

On the eve of the summit, the US Congress adopted President Barack Obama's \$787 billion economic stimulus package with a "buy American" clause that requires the use of American steel in infrastructure-building projects.

In France last week, President Nicolas Sarkozy agreed to supply low-interest loans of 3 billion euros, or \$3.86 billion, each to PSA Peugeot Citroën and Renault in exchange for an agreement not to lay off French workers, which means that Eastern European plants will bear the brunt of planned cutbacks.

Last month in Britain, unions organised strikes and protests against the employment of construction workers from Italy and Portugal, invoking Prime Minister Gordon Brown's earlier promise of "British jobs for British workers."

These are not isolated developments. Most of the stimulus and financial bailout packages adopted since last October contain measures designed to rescue the national economy, banks and industrial sectors, directly or indirectly at the expense of those of other countries.

Economists have noted the summit's failure to stem protectionism. "The G7 statement ticks all the right boxes, but as expected does not go beyond generic statements of principle and commitments that we have heard before," Marco Annunziata, the chief economist in London for UniCredit, Italy's largest bank, told Canada's *Globe and Mail*.

Despite the expenditure of hundreds of billions of dollars, all the national-based rescue packages have been unable to prevent the rapid growth of unemployment. None can resolve the global crisis because they are all based on protecting and upholding the interests of the financial and corporate elites in each country.

While official lip service is paid to coordinated action and to avoiding protectionism, the world is once again witnessing a rise of "beggar-thy-neighbour" responses of the kind that dominated in the 1930s, culminating in the Second World War.

As in Britain, France and the US, the trade unions are at the forefront of the nationalist response, which serves only to divide the international working class along national lines and divert working people from the actual source of the galloping joblessness and social misery—the private profit system itself.

Rising unemployment rates, especially among young workers, have led to explosive protests in countries as varied as Latvia, Chile, Greece, Bulgaria and Iceland and contributed to widespread strikes in Italy and France. But without a clear alternative political perspective there is a danger that these upheavals will be contained and trapped within a national framework.

The precipitous worsening of global poverty and unemployment and the plunge into a new period of trade wars and military conflagrations can be halted in only one way. It requires a conscious international struggle by the working class on the basis of a socialist program to overturn the capitalist order and build a new world economy based on human and social need, not corporate and private wealth accumulation.



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